

Message Text

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ORIGIN FRB-03

INFO OCT-01 ARA-06 ISO-00 TRSE-00 EB-07 INR-07 SP-02 PRS-01

SSO-00 INRE-00 /027 R

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO IMMEDIATE

C O N F I D E N T I A L STATE 085191

E.O. 11652: GDS

TAGS: EFIN, MX

SUBJECT: BANK OF MEXICO DRAWING FEDERAL RESERVE SWAP

1. FEDERAL RESERVE WISHES INFORM CHARGE, ECONOMIC COUNSELOR, AND TREASURY ATTACHE THAT BANK OF MEXICO DRAWING FULL AMOUNT OF ITS FEDERAL RESERVE SWAP APRIL 9. NO ANNOUNCEMENT PLANNED. DRAWING SHOULD NOT BE DISCUSSED WITH MEXICAN COUNTERPARTS UNLESS THEY MENTION IT FIRST.
2. MEXICANS TOLD FED THAT APPROACH OF EASTER TRIGGERED HEAVIER CAPITAL OUTFLOW THAN IN OTHER YEARS. NERVOUSNESS ABOUT GOVERNMENT ABILITY TO HOLD DOWN SPENDING WAS A FACTOR. CHARGES OF REAL ESTATE PROFITEERING ALSO SAID TO BE UNSETTLING FOREIGN EXCHANGE MARKET, ALTHOUGH THEIR CONNECTION WITH CAPITAL OUTFLOW NOT CLEAR.
3. MEXICANS EXPECT CAPITAL REFLOW AFTER EASTER, NOTE THAT BALANCE OF PAYMENTS ON CURRENT ACCOUNTS WAS IM-

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PROVING IN EARLY MONTHS OF YEAR, AND EXPRESSED RELATIVE

SATISFACTION ABOUT FISCAL PERFORMANCE.

4. FED WOULD APPRECIATE REPORT ON REAL ESTATE PROFIT-
EERING AND ITS CONNECTIONS WITH CAPITAL OUTFLOW.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CORRUPTION, FOREIGN EXCHANGE HOLDINGS, CAPITAL FLOWS, REAL PROPERTY ACQUISITION
Control Number: n/a
Copy: SINGLE
Draft Date: 08 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE085191
Document Source: CORE
Document Unique ID: 00
Drafter: Y.MARONI:MRG
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760133-1024
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760481/aaaacrhn.tel
Line Count: 67
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN FRB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUL 2004 by coburnhl>; APPROVED <29 OCT 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANK OF MEXICO DRAWING FEDERAL RESERVE SWAP
TAGS: EFIN, MX, US
To: MEXICO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006